

Message Text

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DRAFTED BY: XMB:AMOHANIAN/RLS

APPROVED BY: EB/IFD:ODF:RASWART

XMB: DAVID O BEIM

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FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV

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SUBJECT: PRESS RELEASE ON EXIMBANK CREDIT TO ISRAEL

FOR YOUR INFORMATION ONLY, FOLLOWING IS FINAL TEXT OF EXPORT-IMPORT BANK RELEASE ON THE THREE DIRECT CREDITS TOTALLING \$72 MILLION TO BORROWERS IN ISRAEL. ANNOUNCEMENT WAS MADE HERE IN WASHINGTON, D.C., AT 2:00 P.M. WEDNESDAY, FEBRUARY 11, 1976.

QUOTE: EXIMBANK CREDITS TOTALLING \$72 MILLION SUPPORT U.S. SALES TOTALLING \$160 MILLION TO BORROWERS IN ISRAEL

THE EXPORT-IMPORT BANK OF THE UNITED STATES HAS AUTHORIZED THREE DIRECT CREDITS TOTALLING \$72 MILLION TO BORROWERS IN ISRAEL TO SUPPORT SALES OF U.S. EQUIPMENT AND SERVICES TOTALLING \$160 MILLION.

ONE CREDIT OF \$13.5 MILLION TO INDUSTRIAL DEVELOPMENT BANK OF ISRAEL LTD. (IDBI), WILL SUPPORT SALES OF U.S. EQUIPMENT, MATERIALS AND RELATED SERVICES COSTING \$30 MILLION TO BE USED BY OIL REFINERIES LTD. (ORL), FOR EXPANSION OF ORL'S REFINERIES AT HAIFA AND ASHDOD, AND THE CONSTRU-
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TION

OF AN ETHYLENE PLANT AT HAIFA, TO HELP MEE THE GROWING DEMAND FOR PETROLEUM AND PETROCHEMICAL PRODUCTS.

U.S. PURCHASES WILL INCLUDE STORAGE TANKS, PROCESS VESSELS, DISTILLATION TOWERS AND INTERNALS, PUMPS, COMPRESSORS, HEAT EXCHANGERS, VALVES, PIPE AND FITTINGS, FURNACES, COOLING TOWER, STEEL PLATES, STRUCTURAL STEEL, ELECTRICAL EQUIPMENT, AND ENGINEERING SERVICES FROM SUPPLIERS NOT YET SELECTED.

TWO OTHER CREDITS WERE AUTHORIZED: ONE FOR \$31.5 MILLION TO BANK LEUMI TO HELP FINANCE SALES TOTALLING \$70 MILLION AND ANOTHER EXIMBANK CREDIT FOR \$27 MILLION TO BANK HAPOLIM TO HELP FINANCE U.S. SALES OF \$60 MILLION FOR EQUIPMENT, SPARE PARTS, MATERIALS AND SERVICES REQUIRED FOR THE ISRAEL ELECTRIC CORPORATION LTD. FOR THE MD HADERA THERMAL POWER STATION. IN 1974, EXIMBANK PROVIDED FINANCIAL ASSISTANCE TOTALLING \$67.5 MILLION FOR THE SAME PROJECT.

PROCEEDS OF THE CURRENT EXIMBANK CREDITS WILL HELP FINANCE PURCHASE OF AN ASH AND DUST HANDLING SYSTEM, CONTROL EQUIPMENT, VALVES, A GAS TURBINE GENERATOR, SWITCHYARD EQUIPMENT, FUEL HANDLING EQUIPMENT, BOILER FEED PUMPS, TURBINE DRIVES, ELECTROSTATIC PRECIPITATORS, PIPING, A COMPUTER SYSTEM, AND VARIOUS OTHER EQUIPMENT AND SERVICES. THE MAJOR PORTION OF THE MANUFACTURING OF THE EQUIPMENT WILL BE DONE IN THE AKRON, OHIO, AREA BY BABCOCK AND WILCOX.

EACH OF THE EXIMBANK CREDITS REPRESENT 45 PERCENT OF THE TOTAL U.S. COSTS. CREDITS FOR THE SAME AMOUNTS IN EACH OF THE THREE TRANSACTIONS WILL BE EXTENDED FROM COMMERCIAL SOURCES NOT YET DESIGNATED AND WILL FINANCE ANOTHER 45 PERCENT OF THE TOTAL U.S. COSTS. OF THE \$13.5 MILLION CREDIT FROM COMMERCIAL SOURCES TO ORL, \$9 MILLION WILL BE COVERED BY EXIMBANK'S FINANCIAL GUARANTEE. BORROWERS WILL MAKE CASH PAYMENT OF 10 PERCENT REPRESENTING THE BALANCE OF THE U.S. COSTS.

EXIMBANK'S INTEREST RATE FOR THE CREDIT TO IDBI OF 8 PERCENT PER ANNUM BASED ON A PRELIMINARY COMMITMENT AUTHORIZED EARLIER, UNCLASSIFIED

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COMBINED WITH THE INTEREST RATE FROM COMMERCIAL SOURCES, WILL RESULT IN AN ESTIMATED INTEREST COST TO THE BORROWER OF FROM 8.74 PERCENT TO 9 PERCENT PER ANNUM. THE LOANS ARE TO BE REPAID OVER 10 YEARS BEGINNING JUNE 30, 1979, WITH EXIMBANK'S CREDIT TO BE REPAID OUT OF THE LAST 5 YEARS. REPAYMENT OF EXIMBANK'S CREDIT AND THE PORTION OF THE PRIVATE CREDIT WHICH IS GUARANTEED BY EXIMBANK IS TO BE GUARANTEED BY THE STATE OF ISRAEL.

EXIMBANK'S INTEREST RATE OF 9-1/2 PERCENT PER ANNUM FOR THE
BANK LEUMI AND BANK HAPOALIM CREDITS, COMBINED WITH THE INTEREST RATE
FROM COMMERCIAL SOURCES WILL RESULT IN AN ESTIMATED INTEREST COST TO
THE
BORROWER OF FROM 9.9 PERCENT TO 10.15 PERCENT PER ANNUM. BOTH OF
THESE EXIMBANK CREDITS WILL BE REPAID OVER 7-1/2 YEARS BEGINNING
FEBRUARY 10, 1989. REPAYMENT OF BOTH LOANS IS TO BE GUARANTEED BY
THE STATE OF ISRAEL THROUGH ITS MINISTRY OF FINANCE. UNQUOTE
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